

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Peoples Bancorp Inc.

Point of Contact:	Edward G. Sloane, Chief Financial Officer and Treasurer	RSSD: (For Bank Holding Companies)	1070578
UST Sequence Number:	92	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	39,000,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 30, 2009	City:	Marietta
Date Repaid ¹ :	N/A	State:	Ohio

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The CPP capital allowed Peoples to remain an active lender during 2010 even while incurring significantly higher credit losses compared to historical levels. Overall demand for new loans was restrained by the sustained economic weakness in many of Peoples' market areas.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

In 2010, Peoples restructured its commercial lending activities to place greater emphasis on lending to smaller businesses – those companies with less than \$2 million in annual revenue and aggregate credit needs of less than \$600,000.

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☐ Increase reserves for non-performing assets.

☐ Reduce borrowings.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

Peoples held \$21 million of the CPP capital at the holding company level throughout 2010. These funds were reserved solely for use in Peoples' lending activities and ultimately were repaid in early 2011.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

During 2010, the combination of a sluggish economic recovery within Peoples' market areas and continued weakness in commercial real estate values caused loan-related credit losses to remain higher than historical levels, with a corresponding impact on Peoples' overall capital level. The stronger capital position as a result of the CPP capital infusion afforded Peoples greater ability to work through credit issues and continue lending to creditworthy borrowers in adverse conditions. Absent the CPP capital, Peoples may have had to either (1) reduce commercial lending through tighter credit standards or (2) limit other business activities, such as physical expansion plans or investments into new products or services. Alternatively, Peoples may have had to consider issuing new equity capital, at a cost significantly higher than the CPP capital, in order to maintain prudent capital levels. Actions taken in 2010 to reduce problem loans positioned Peoples for the return of \$21 million in CPP capital which had been retained at the holding company level. This partial repayment was completed in February 2011 without raising any new equity capital.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Peoples used its strong capital position, due to the CPP capital, to expand its lending activities. One initiative included placing greater emphasis on the lending needed of companies with less than \$2 million in annual revenues and aggregate credit needs of \$600,000. Peoples also intensified its efforts to originate commercial loans secured by business assets other than real estate, such as inventories and equipment. In connection with these efforts, Peoples hired several seasoned lenders to work in previously under-served markets, including central Ohio and Huntington, West Virginia–Ashland, Kentucky. Due in part to these efforts, new commercial loan production totaled nearly \$80 million in 2010, despite the existence of unfavorable economic conditions in Peoples' primary market area. Peoples also maintained its mortgage and consumer loan relief program, which was created using a portion of the CPP capital. Through this program, Peoples provided financial assistance to distressed borrowers who have the willingness and capacity to make payments. During 2010, Peoples assisted 65 borrowers with total loan amounts of nearly \$2 million.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.